



MAYOR ALEX B. MORSE

CITY OF HOLYOKE

June 1, 2012

Commissioner Áron Boros
The Commonwealth of Massachusetts
Executive Office of Health and Human Services
Division of Health Care Finance and Policy
Two Boylston Street
Boston, MA 02116

RE: Written Testimony From City of Holyoke for Public Hearings

Dear Commissioner Boros:

Attached please find the City of Holyoke's written testimony as you requested in your letter dated May 9, 2012.

The City of Holyoke appreciates the ability to provide input for the annual public hearings concerning health care provider and insurer costs and cost trends.

Please feel free to contact me at any time should you require further information.

Sincerely,

Alex B. Morse
Mayor

Enclosure

Massachusetts Cities and Towns

- 1. After reviewing the preliminary reports, please provide commentary on any finding that differs from your organization's experience. Please explain the potential reasons for any differences.**

The City of Holyoke finds that our experience regarding the cost of health care and medical trends have been decreasing below the 10% level in the last three policy periods. The Annual Growth Rate (AGR) and the Total Medical Expense (TME) factors are directly affected by the method the City of Holyoke utilizes on an annual basis to effectively market our group medical programs to achieve the most competitive proposals and plans, while at the same time maintaining a very high level of quality in the insurance plans the City offers. We believe that breaking the cost components into three categories (i.e., claims, administration costs, and insurance premium pooling costs) has helped the City identify the contributing medical expense factors. The City tracks these three components independently with our insurance providers. This method has proven effective in understanding and keeping each component reported separately. The City tracks these three categories monthly, as this allows us to forecast on a quarterly basis our trends in premium expense growth. Our process allows us to perform a mid-year review, at which point we are able to identify problem areas such as potential large claims that can drastically affect our renewal premium. Our insurance providers have tools in place to help manage large claims, as well as educational programs that we believe are very important to implement in the early stages of problem areas. Tracking large case management results, and implementing educational programs and tracking their results, are the key reasons we believe that the City has been able to better control our rising healthcare premium costs, which have been averaging approximately 2%. Based on the preliminary reports for large groups, this puts the City below the national and state averages. We share the same ongoing concerns and cannot afford to lose sight of the importance of tracking these components in detail and working together with our providers as team players.

- 2. What specific actions has your organization taken to contain health care costs?**

The City of Holyoke has implanted, and continues to implement, preventive and educational healthcare programs to our employees in conjunction with our insurance providers. We believe that these preventive healthcare programs help contain healthcare costs. These programs include Preventive Healthcare Management Initiatives including:

- a. Health Screenings:
 - I. Blood Pressure Screening
 - II. Body Composition Screening (body fat analysis)
 - III. Cholesterol and Glucose Screening
 - IV. Bone Density Screening (Osteoporosis)
 - V. Smoke Check Screening

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- b. Surviving Stress
- c. Building Your Personal Health Improvement Plan
- d. Back Care Workshop
- e. Smoke Free for Life
- f. Health Risk Assessment (HRA)
- g. Take Charge of Your Health
- h. Asthma Education Workshop
- i. Diabetes Education Workshop: The A-B-C's of Diabetes
- j. Take 5 Stretch Break
- k. Osteoporosis
- l. Nutrition Basics for Eating Smart
- m. Labyrinth
- n. 10,000 Steps Program

In addition, we work closely with our insurance carriers to identify potentially high risk case management areas. Some key components utilized in the high risk case management process include:

- a. Cost of claims to date
- b. Diagnosis
- c. Pharmacy utilization
- d. Episode risk
- e. Number and frequency of inpatient and ER visits
- f. Practitioner input
- g. Member input
- h. Discharge planner input
- i. Disease management input

2b. What current factors limit the ability of your organization to execute these strategies effectively?

Technically, many of these programs are voluntary. Therefore, it is important that the employees take the initiative to engage in the advantages of these programs. Working in partnership with our insurance providers, communicating effectively to our union leaders and employees, and encouraging a healthy lifestyle are key strategies that we employ continuously.

3. What types of systemic or policy changes would be most helpful in reducing costs without sacrificing quality and consumer access?

The City's concerns are the taxing of health insurance premiums, the insurance costs, and the escalating costs of our physicians to do business in the Commonwealth. Moreover, the City

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believes in the City's and employees' freedom of choice to select the most cost-effective programs that provide the benefits sought by the majority of our employees.

4. What methods, if any, does your organization use to encourage employees to use high value (high quality, low cost) providers? What has been the effectiveness of these actions?

The City has examined the tiered network systems that are currently being offered by various insurance providers. We have found the programs to be confusing to the employees, and our employees have chosen not to elect those plans at this time. Our experience with these alternative tiering programs is that they are still in their preliminary stages and thus have not proved that they are cost effective over the long run.

5. Please identify any additional health care cost drivers that you believe should be examined in subsequent years and explain your reasoning.

The additional health care cost drivers that we believe should be examined now and in subsequent years are prescription, physician, and hospital costs.

- i. Prescriptions: There are many alternatives to purchasing prescription drugs in our healthcare system. We are concerned that third-party Internet providers can offer employees prescription drugs at significantly reduced costs, while our insurance providers are limited in obtaining the same costs.
- ii. Physicians: Physician costs are based on individual professions and understanding their cost drivers. Cost drivers such as insurance, overhead, taxes, and liability are key factors in controlling physician billing needs in the future. If physicians believe they need to see twice as many patients to make ends meet, the quality of care will decrease. This ultimately leads to large claims that get missed.
- iii. Hospitals: Technology is probably the most significant driver of hospital care costs. Consumers demand the highest quality hospital care that employs the latest technological advancements. The issue is how we can keep all of these technology costs in check so that healthcare can remain at an affordable level for our employees.

6. Please provide any additional comments or observations you believe will help to inform our hearing and our final recommendations.

The City of Holyoke believes that an open and competitive bidding process allowing all insurance providers to compete and negotiate for the best plans and rates—without being restricted by federal and/or state programs that may be available—will prove to deliver the most competitive plans and rates for cities like Holyoke. Additionally, federal and state mandates, as well as required healthcare plan design changes, have been significantly impacting our renewal

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rates. Basically, our insurance providers and administrators are forced to tack on to our experienced rates additional fees to cover state and federal plan design initiatives. These percentage fees have increased our plans by as much 3% to 5% annually, which forces the extra costs to be borne by our employees. Going forward, proposed changes to plans should more accurately forecast their associated costs on top of current plan rates. Federal and state proposed medical plan changes should have feedback before implementation from city and town leaders, as well as insurance industry professionals, as to how these proposals will affect rates at renewal time.